

<b>Department of Environmental Quality</b>				
	<b>2011-13 Actuals</b>	<b>2013-15 Leg. Approved*</b>	<b>2015-17 CSL LFO</b>	<b>2015-17 Governor's</b>
General Fund	25,011,532	30,961,259	31,304,184	35,176,364
Lottery Funds	4,502,197	3,873,265	3,955,299	3,813,355
Other Funds	112,649,579	142,862,396	148,052,220	149,273,359
Other Funds Non-Limited	109,364,580	127,290,278	87,108,417	127,264,767
Federal Funds	28,811,248	28,010,107	28,654,759	28,600,660
<b>Total Funds</b>	<b>280,339,136</b>	<b>332,997,305</b>	<b>299,074,879</b>	<b>344,128,505</b>
Positions	732	720	724	741
FTE	714.92	704.87	712.24	723.73
* includes Emergency Board and administrative actions through December 2014				

***Program Description***

The Department of Environmental Quality (DEQ), with policy direction from the five-member Environmental Quality Commission, administers the state’s laws regulating air, water, and land pollution. The Department establishes the standards for clean air, water, and land; determines whether or not these standards are being met; and then takes action to enforce the standards when necessary.

***CSL Summary and Issues***

- (1) Increased costs and falling non-state funding in the Wastewater Permitting program caused cuts of \$924,000 Other Funds, \$500,000 Federal Funds and 9.29 FTE in package 070. DEQ is proposing to restore 6.00 FTE in wastewater permitting with and 2.00 FTE in monitoring/nonpoint pollution with General Fund. DEQ states that if the backfill packages are approved the additional state support would restore the program to 60% fees/40% state funds split. If the backfill proposal is not approved DEQ would likely need to raise fees to restore positions and pay for the new wastewater permitting software.
- (2) DEQ has proposed solid waste permit and tipping fee increases to restore \$1.3M Other Funds, \$225,000 Federal Funds, and 7 of 8 positions cut in package 070 due to insufficient revenues. Solid waste permit fee revenue has not been adequate to support regulating facilities, so tipping fee revenues have been used to supplement the program. The positions restored

would be repurposed to promote and enhance waste reduction and recycling and to award grants to local governments for recycling and solid waste planning activities. Work by these seven positions would include food waste prevention, voluntary business initiatives, toxics reduction, and sustainable consumption.

## ***Policy Issues***

### **Air Quality –**

- (1) *Continue Air Toxics Monitoring*: During the February 2014 session, General Fund (GF) was appropriated for a year-long air toxics study of Swan Island. The Department has proposed adding \$361,562 GF for 3 lab positions (2.00 FTE fully phased-in) to make use of the already purchased monitoring equipment at other sites around the state.
- (2) *Local Assistance for Particulate Matter (PM) nonattainment*: Funding for local governments with cities that are declared in nonattainment for PM standards by the EPA. Funding would be used to help cities develop local plans to reduce PM. In 2011 the Legislature reduced the amount for grants from \$240,000 to \$160,000 General Fund. The agency proposes increasing local funding to \$306,000 per biennium and purchasing monitoring equipment for \$80k. Total request is for \$220,000 General Fund.

### **Water Quality –**

- (1) *Water Quality Assessment*: Enhance agencies ability to assess and report water quality data. EPA has partially disapproved Oregon's 2012 biennial Integrated Report on impaired water bodies and is expected to disapprove the 2014 report because the reports fall far short of meeting the most basic federal requirements of using all readily available water quality data. The agency proposes adding \$491,435 General Fund to support three new positions that would be phased-in.
- (2) *Backfill non-point grant program*: Federal Funds support this program, but the EPA cut Oregon's funding because it did not approve the state's Coastal Nonpoint Source Pollution Program. Would add \$631,500 General Fund for the 2015-17 biennium, but this would increase to \$1,263,000 for 2017-19 due to the start of a new multi-year contract.
- (3) *Add another Regional Solutions Team position*: Would add a position to act as agency representative in the North Central Regional Solutions Center office in The Dalles and work with the North Central and Greater Eastern RSTs. DEQ repurposed 6 positions to act as RST members in 2011, but is underrepresented in the above regions. HB 2620 (2013) requires Natural Resource agencies to participate in RSTs. Cost would be \$288,199 General Fund to add the one position.
- (4) *Incentives to get local governments to run the onsite septic system*: Proposal would add \$200,000 General Fund for special payments to local governments to encourage them to take over onsite programs locally. DEQ has 14 direct service counties where it is responsible for running the program, but revenues are inadequate and the inspection requirement is often waived do to short staffing and quick turnaround times.

- (5) *Enhance nonpoint pollution program*: Proposes to add \$684,249 state funds to backfill two Federal Fund supported positions eliminated due to insufficient Federal Funds revenue. Would also add two new positions to this program.

Land Quality –

- (1) *Continue Ballast Water Inspection*: Requests \$32,000 GF and \$15,000 Other Funds from an increase of the ballast water inspection fee from \$70 to \$88 per vessel arrival. The additional General Fund would maintain the traditional program funding split of 50% General Fund/50% Other Funds and maintain the 1.60 FTE working currently on this program.
- (2) *Marine Oil Spill Response*: Increases fees paid by large cargo vessels, vessels that carry oil shipments, petroleum facilities and pipelines that would raise \$300,000 that would be used to enhance the current program and restore cuts caused by insufficient revenues. Funding would restore program to 3.35 FTE and allow it to investigate reported spills within 90 days, review spill contingency plans, and conduct drills to prepare for marine oil spills.

Agency Management –

DEQ wishes to continue and accelerate outcomes-based management reforms designed to identify, measure, and improve the performance of core agency processes. The proposal would add \$1.1M Other Funds and 6 positions for this purpose and would be funded through indirect charges from increased program funding above Current Service Levels. The final proposal could be scaled based on overall agency funding increases approved elsewhere in the budget.

***Other Significant Issues and Background***

The following budget notes were included in SB 5520 (2013), the 2013-15 budget bill for the Department of Environmental Quality:

- (1) The Department of Environmental Quality shall report to the appropriate committee of the Seventy-Eighth Legislative Assembly on: The status of any national ambient air quality standards proposed, under consideration for proposal, or adopted by the United States Environmental Protection Agency (US EPA) pertaining to ozone; and the department's plan and timetable for developing and implementing a comprehensive strategy to meet the revised national ambient air quality standards for ozone upon adoption by the US EPA. The plan shall describe how the department will analyze: current ozone levels and trends as compared to the ozone standard; air pollution sources contributing to ozone pollution; remission reduction strategies needed to achieve and maintain compliance with the ozone standard; impacts on human health and the environment; compliance with state and federal law; impacts on affected economic sectors; and other information determined to be relevant by the department. The plan shall also describe how the department will assess the Vehicle Inspection Program, including but not limited to: what, if any, modifications to the program are needed to meet the ozone standard and reduce other pollutants such as air toxics; the impact on affected economic sectors of any changes to the Vehicle Inspection Program; options for exempting

vehicles from the inspection requirement and the impact on the vehicle registration process of any changes to the Vehicle Inspection Program. The exemption options and impact analysis would be done in consultation with the Driver and Motor Vehicle Division of the Department of Transportation.

- (2) The Department of Environmental Quality (DEQ) shall work with cities, counties and other stakeholders to identify innovative ways to utilize the fees assessed for the onsite septic program. The intended outcomes are to increase the quality and efficiency of how onsite septic services are delivered across the state. This may include re-examining the fee schedules and the viability of how the program is currently implemented through a combination of DEQ and contract-county programs. The Association of Oregon Counties has indicated it will provide staff support for these efforts and the Department shall report back during the 2014 legislative session with recommendations for improving the operations of the onsite septic program.
- (3) DEQ is instructed to continue to support the South Deschutes County and North Klamath County Groundwater Protection Project Steering Committee to finalize recommendations to address groundwater protection from onsite septic systems in the South Deschutes County and North Klamath County geographic area. Prior to taking action on any recommendation, DEQ will report back to the Ways and Means Subcommittee on Natural Resources or to the House Committee on Energy and Environment no later than the February 2014 Legislative session on its evaluation of the committee's recommendations. DEQ shall also research how other states have conducted cost-benefit analyses of the cost of septic system upgrades relative to environmental impacts and public health risks. DEQ shall report to the legislative committee no later than the 2014 Legislative session on its findings and its plans for undertaking such an evaluation for South Deschutes and North Klamath counties.

### ***Co-Chairs' Budget Framework Discussion***

The Co-Chairs' budget framework included the following priorities and targeted investments related to funding for the Department of Environmental Quality:

- Protects Oregon's water quality with new General Fund investments
- Protects Oregon's air quality with continued investments in monitoring